

## DIRECT TAXATION - INTEREST

### Section 234A

If return of income is furnished after the due date (31.7.21/ 30.9.21) specified in the act or after the time allowed by the notice u/s 142(1) or is not furnished at all by the assessee, then he is liable to pay interest u/s 234A.

**Rate of Interest :** 1% for every month or part of month on tax payable on self-assessment.

**Period of Interest : (a)** Where the return of income is filed, then from the due date of filling the return(31.7.21/30.9.21) till the date of furnishing the return of income. (A part of month is taken as full month.) Ex. Due date of filling return for the A.Y. 2021-22-31.7.21, Date of furnishing the return- 5.2.2022. So, Period of Interest = (31.7.21 to 5.2.2022)= 7 months

**(b)** Where the return of income is not filed, then from the due date of filling the return(31.7.21/30.9.21) of income up to the date of completion of assessment. (A part of month is taken as full month.) Ex. Due date of filling return for the A.Y. 2021-22-31.7.21, Date of completion of assessment- 7.1.2022. So, Period of Interest = (31.7.21 to 7.1.2022)= 6 months.

### **Computation of amount on which interest is payable & Computation of Interest:**

Particulars	Amount
Tax on Assessed Income	***
Less: TDS & Advance Tax paid	***
Amount on which interest is payable (rounded off)	***
<b>Interest u/s 234A ( Amount * 1%* Period of default)</b>	***

### Section 234B

When the assessee fails to pay advance tax or When the advance tax paid by the assessee is less than 90% of assessed tax, the assessee is liable to pay interest u/s 234B.

**Rate of Interest :** 1% for every month or part of month.

**Period of Interest :** For the period from April 1<sup>st</sup> of the relevant assessment year(1.4.2021) to the date of determination of total income/  
Date of assessment order.

**Computation of amount on which interest is payable & Computation of Interest:**

Particulars	Amount
Tax on Assessed Income	***
Less: TDS	***
Assessed Tax	***
Advance Tax paid by the firm is less than 90% of assessed tax, Sec.234B is applicable	
<b>Shortfall ( Assessed Tax- Advance Tax paid) (rounded off)</b>	***
Period of Default	***
<b>Interest u/s 234B ( Shortfall * 1%* Period of default)</b>	***

Ex. During the financial year 2020-21 Mr. X ( aged 49 years) has paid advance tax of Rs.15,200. X has submitted his return of income for the said year on June 15<sup>th</sup>, 2021 showing total income of Rs.6,40,000. During the year, tax of Rs.3,500 has been deducted at source. Assessment has been completed on April 13, 2022. Calculate the amount of interest chargeable under section 234B if any.

Ans.

**Computation of amount on which interest is payable & Computation of Interest:**

Particulars	Amount
Tax on Assessed Income i.e. 6,40,000	42,120
Less: TDS	3500

Assessed Tax	38,620
Advance Tax paid by the firm( Rs.15,200) is less than 90% of assessed tax, Sec.234B is applicable	
<b>Shortfall ( Assessed Tax- Advance Tax paid)</b> <b>Shortfall ( rounded off)= 23400</b>	23420
Period of Default ( 1 <sup>st</sup> April 2021 to 13 <sup>th</sup> April 2022)	13 months
<b>Interest u/s 234B ( 23,400 * 1%* 13)</b>	3042

**WORKINGS:**

Particulars	Amount
<b>Tax on Assessed Income i.e. 6,40,000</b>	
Upto 250000	Nil
Next 250001 To 500000 @5% (250000×5%)	12500
Next 500001 To 640000 @20% (140000×20%)	28000
	40500
Less: Rebate u/s 87A	Nil
Add: Health and Education cess @4% (40500×4%)	1620
<b>Tax Liability</b>	<b>42120</b>

**Fees****Section 234F**

Fees for default in furnishing return on income within the specified time-

- (a) Rs. 5,000 , if the return is furnished on or before 31.12.2021
- (b) Rs.10,000 in any other case.

Ex. Kausik filled his return of income for A.Y. 2020-21 on 08.10.21 (Due date of submission of return 31.7.21) showing income of Rs.9,50,000. Compute amount of interest and fees payable by Kausik for delayed Submission of return.

Ans.

**Computation of amount on which interest is payable & Computation of Interest:**

Particulars	Amount
Tax on Assessed Income i.e. Rs.9,50,000	106600
Less: TDS & Advance Tax paid	Nil
Amount on which interest is payable (rounded off)	106600
Period of Interest ( 31.7.21 to 8.10.21)	3 Months
<b>Interest u/s 234A ( 106600 * 1%* 3)</b>	<b>3198</b>

**Fees for delayed submission of return u/s 234F = Rs.5,000 ( As the return is furnished on or before 31.12.2021)**

**WORKINGS:**

Particulars	Amount
<b>Tax on Assessed Income i.e. Rs.9,50,000</b>	
Upto 250000	Nil
Next 250001 To 500000 @5% (250000×5%)	12500
Next 500001 To 950000 @20% (450000×20%)	90000
	102500
Less: Rebate u/s 87A	Nil
Add: Health and Education cess @4% (102500×4%)	4100
<b>Tax Liability</b>	<b>106600</b>

**DIRECT TAXATION - ADVANCE TAX****Computation of Total Income**

<b>Particulars</b>	<b>Amount</b>
Salaries	***
Income from House Property	***
Profits and gains from Business or Profession	***
Capital Gains	***
Income from Other Sources	***
<b>Gross Total Income</b>	***
Less: Deductions u/s 80C to 80U	***
<b>Total Income/ Taxable Income</b>	***

**Computation of Advance Tax Liability (Under Old Tax Slab or Regime)( Less than 60 yrs)**

<b>Particulars</b>	<b>Amount</b>
Tax on LTCG @ 20% / STCG @15% /Winning from lottery @30%	***
On Balance : Up to Rs.2,50,000	Nil
Add: From Rs.2,50,0001 to Rs.5,00,000 @ 5%	***
Add: From Rs.5,00,001 to Rs.10,00,000 @ 20%	***
Add: Above Rs.10,00,000 @30%	***
Less: Rebate u/s 87A ( Note)	***
Add: Health and Education Cess @4%	***
<b>Total Tax Liability</b>	***
Less: TDS	***
<b>Advance Tax Liability</b>	***

**Computation of Advance Tax Liability (Under Old Tax Slab or Regime)( Above 60 yrs)**

<b>Particulars</b>	<b>Amount</b>
Tax on LTCG @ 20% / STCG @15%/ Winning from lottery @30%	***

On Balance :	Nil
Up to Rs.3,00,000	
Add: From Rs.3,00,0001 to Rs.5,00,000 @ 5%	***
Add: From Rs.5,00,001 to Rs.10,00,000 @ 20%	***
Add: Above Rs.10,00,000 @30%	***
Less: Rebate u/s 87A ( Note)	***
Add: Health and Education Cess @4%	***
<b>Total Tax Liability</b>	***
Less: TDS	***
<b>Advance Tax Liability</b>	***

**Note : Rebate u/s 87A ( Rs.12,500-maximum) is applicable if total income not exceeds Rs.5,00,000.**

**Applicability of Advance Tax :** When the advance tax liability is Rs. 10,000 or more , the assessee should pay such tax.

#### **Due dates for payment of Advance Tax**

<b>Due Date</b>	<b>Amount Payable</b>
On or before June 15, 2020	Upto 15% of Advance tax liability
On or before Sept 15, 2020	Upto 45% of Advance tax liability
On or before Dec 15, 2020	Upto 75% of Advance tax liability
On or before March 15,2021	Upto 100% of Advance tax liability

#### **Alternatively**

<b>Due Date</b>	<b>Amount Payable</b>
On or before June 15, 2020	15% of Advance tax liability
On or before Sept 15, 2020	30% of Advance tax liability
On or before Dec 15, 2020	30% of Advance tax liability
On or before March 15,2021	25% of Advance tax liability

**Deductions :**

- **Deduction u/s 80C in respect of certain deposits and payments:**
  - A) Life insurance premium paid by an individual on his/her own life, on spouse and child (whether major or minor, married or unmarried, dependent or not dependent) of such individual [Actual premium paid or 10% of policy value/ sum assured (if the policy was taken after 01.04.2012)/20% of policy value/ sum assured (if the policy was taken before 01.04.2012) whichever is lower will be taken].
  - B) Repayment of the principal amount of house building loan.
  - C) Own contribution to Statutory Provident Fund/ Recognised Provident Fund.
  - D) Deposits in Public Provident Fund (PPF).
  - E) Purchase of National Savings Certificates (VIII or IX issues)
  - F) Any payment by way of tuition fees to any educational institution situated within India for the purpose of full time education.
  - G) Accrued interest on NSC (excluding 6th year's interest).
- **Maximum Amount of deduction: ₹1,50,000**
- **Deduction u/s 80D**
- **Payment of Medical Insurance Premium by cheque** by an individual on his/her own life, family (spouse or dependent children)-
- **Quantum of deduction**  
Lower of the following-
  - a) Aggregate of premium paid and preventive health check up (upto ₹5,000)
  - b) Maximum limit ₹25,000 / ₹50,000 in case of Senior Citizen.
- **Payment of Medical Insurance Premium by cheque** by an individual for Parents (whether dependent or not)-
- **Quantum of deduction**  
Lower of the following-
  - a) Aggregate of premium paid and preventive health check up (upto ₹5,000)

b) Maximum limit ₹25,000 / ₹50,000 in case of Senior Citizen.

- **Maximum Deduction**

Individual and his/her family (age <60 yrs)+ Parents (age < 60 yrs)	<b>₹25,000+₹25,000 =₹50,000</b>
Individual and his/her family (age <60 yrs)+ Parents (age > 60 yrs)	<b>₹25,000+₹50,000 =₹75,000</b>

### Deduction u/s 80DD

- **Deduction u/s 80DD in respect of maintenance including medical treatment of a dependent being a person with disability-**  
An individual has incurred any expenditure for the medical treatment for disable relative (spouse, children, parents, brothers and sisters).

- **Fixed Amount of deduction**

Suffering from severe disability	<b>₹1,25,000</b>
Suffering from disability but not severe disability	<b>₹75,000</b>

- **Deduction u/s 80DDB in respect of expenditure on treatment of specified diseases-**

An individual has incurred any expenditure for the medical treatment of specified diseases of dependent relative (spouse, children, parents, brothers and sisters).

- **Quantum of deduction**

Lower of the following-

- a) Actual expenditure incurred
- b) ₹40,000

- **Treatment of mediclaim or amount reimbursed by the employer-**

Deduction shall be lower of the following-

- a) (Actual expenditure incurred- mediclaim received or amount reimbursed by the employer)
- b) ₹40,000- mediclaim received or amount reimbursed by the employer)

- **Deduction u/s 80G in respect of donations to certain funds, institutions** etc applicable to all assessee. Assessee must donate (not in kind) to Specified Organization or Funds.

**List of Specified Organization or Funds**

Donee	Maximum Limit	Deduction (as % of net qualifying amount)
National Defence Fund	N.A.	100%
Prime Minister's Drought Relief Fund	N.A.	50%
Prime Minister's National Relief Fund	N.A.	100%
Chief Minister's Relief Fund	N.A.	100%
National Children's Fund	N.A.	100%
National Foundation for Communal Harmony	N.A.	100%
An approved university or educational institution of national eminence	N.A.	100%
Jawaharlal Nehru Memorial Fund	N.A.	50%
Indira Gandhi Memorial Fund	N.A.	50%
Rajiv Gandhi Foundation	N.A.	50%
Government or any local authority for promoting family planning	10% of Adjusted Total Income	100%
Approved Charitable Institution	10% of Adjusted Total Income	50%
Notified Temple	10% of Adjusted Total Income	50%

**Adjusted Total Income (ATI) = Gross Total Income-Long term capital gain-Short term capital gain- all deductions u/s 80C to 80U other than deduction u/s 80G  
Deduction u/s 80TTA**

- **Deduction u/s 80TTA in respect of Interest on deposits in Savings Account with Bank and Post office** applicable to an individual.
- **Quantum of Deduction**  
Lower of the following-
  - a) Actual Amount of interest
  - b) Maximum limit ₹10,000

#### **Deduction u/s 80GGC**

- **Deduction u/s 80GGC in respect of contribution/donation to political party** applicable to non corporate Assessee.
- **Quantum of Deduction-** 100% of Actual donation

#### **Deduction u/s 80E**

- **Deduction u/s 80E in respect of payment of interest on Educational loan** applicable to individual.
- **Amount of deduction u/s 80E-** Actual amount of interest paid (no maximum limit)